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LDCs Look for Advantages at GATT Trade Talks

The developing states are reacting with guarded approval to proposals that the present Multilateral Trade Negotiations under GATT auspices in Geneva be used to discuss commodity trade between developed and developing states.

Their caution reflects a more general LDC attitude toward the trade talks as a whole. The developing states tend to be skeptical of their ability to secure substantial benefits in forums such as GATT, the IMF, or in committees with restricted membership that discuss a limited number of issues. Nevertheless, the LDCs are careful not to reject out of hand talks in any such venue for fear of losing possible concessions from the developed states.

Although they do consult in Geneva, the developing states have not established the degree of political unity in GATT which they have displayed in the UN, nor have they engaged in the rhetorical excesses that have characterized that forum. Since they cannot dominate the proceedings in the GATT talks, most of the developing countries see little to gain from confrontational positions or attempts to politicize the talks.

Despite their general skepticism about the talks, many of the developing states feel they stand a good chance to gain tangible benefits from concessions by the industrialized states in areas such as tropical products, tariffs and non-tariff barriers. One of the principal developing country goals is to prevent mutual tariff cutting

among the advanced countries from eroding the value of the preferential access that the poor countries now enjoy under various schemes for developing countries only.

The MTN negotiating group on tropical products will meet on June 16-20 and developing states will present "request lists" to the industrial states for those products in which they have a special interest. Early agreement on concessions for tropical products may be possible, since the developed states are granting special treatment to this sector and will not require reciprocal concessions. Some of the developed states also feel that an early move in this area would serve as a sign that the trade negotiations are not stalled.

If concessions on tropical products satisfy some developing country demands, this may help to convince the favored developing states to view the trade talks with less skepticism. Such concessions in the trade talks, however, may not do much to weaken the solidarity of the developing states in the highly politicized UN forum.

In the UN the LDC stand is set less by a detached assessment of immediate economic gains as by ideological posturing that can be more or less successfully exploited by radicals such as the Algerians. Nevertheless, concessions on tropical products which would coincide or precede the special UN session on raw materials in September would strengthen the hand of those developing states who have lobbied among Third World members for more moderate positions.

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ANNEX

Italian Regional Election Campaign

Nationwide regional and local elections in Italy on June 15 will provide the first definitive measure of party strengths since the 1972 parliamentary elections. Voters will elect new officials in 15 of the 20 regions, 86 of the 94 provinces, and more than three-quarters of the 8,000-odd municipalities.

Immediately at stake is the political balance in at least one regional government and in a number of important local ones, but the campaign so far has been dominated by national issues. The outcome, therefore is likely to reveal whether the political equation in Italy is really changing, as fragmentary evidence over the last year has seemed to suggest. Specifically, the elections should show whether:

--the Christian Democrats are in danger of losing their near monopoly on political power;

--the Communist Party--Italy's second largest--has convinced many more voters that it is a truly independent national party, committed to supporting Italy's multi-party democracy and eligible to participate in the government;

--the Socialist Party--Italy's third largest--has enough popular support to back its demand for treatment as a political equal by the Christian Democrats in future center-left coalition.

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The elections will also show whether the upsurge in neo-fascist support during the early 1970's was a passing phenomenon or a more enduring feature of the Italian political scene that the constitutional parties will have to deal with. The neo-fascist Italian Social Movement has averaged about 5 percent of the vote in elections since 1948. It began to inch ahead in scattered local elections in 1971 and reached nearly 9 percent in the 1972 parliamentary race. The neo-fascists' emergence as Italy's fourth largest party gave it added leverage in close parliamentary votes--a development that has frequently heightened tensions among the government parties and between the government and the opposition.

Uneasy Background

These elections would be important under any circumstances, but they are especially significant today because the political situation is more unsettled than usual. Party leaders failed to resolve the differences that led to the fall of the Rumor government last October and kept the country without effective leadership for nearly two months--the longest such crisis of the postwar period. The Moro government--a coalition of Christian Democrats and Republicans which depends on Socialist and Social Democratic parliamentary support--has been in office since November but is regarded, even by Moro, as an interim solution to keep the center-left alive in principle and to get the country through the elections.

Moro will probably resign this summer or fall. Although his government is likely to be replaced by still another center-left coaition, the election outcome will determine whether the new government looks toward the center or toward the left.

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The political situation is further complicated by Italy's chronic economic problems. The balance of payments picture has improved, but the country is passing through its deepest postwar recession. Unemployment has not risen dramatically, but industry's device of resorting to shortened work weeks--more indicative of the low level of economic activity--was up 80 percent in the first quarter over the same period last year. The cost of living is still rising, though not as rapidly as last year.

Meanwhile, increasing crime and political violence have aroused widespread public concern. Scattered clashes between police and extremists have been commonplace in recent years. Lately, however, the situation has taken a more sinister turn as the number of serious incidents--attacks on party offices and politicians, bombings, and attempted train derailments--has increased.

Before recessing for the election campaign, parliament passed a law intended to deal with the problem. Since none of the parties was satisfied with the final version, however, the law will not defuse law-and-order as an election issue, especially if the violence continues.

An Uphill Fight

The Christian Democrats are running scared. They have always been able to count on about 38-40 percent of the vote and that has allowed them to set the terms for all of Italy's postwar governments. There are signs, however, that the voters are beginning to blame the Christian Democrats for Italy's problems.

There have been only a few electoral tests in the last year, but a pattern of Christian Democratic losses has emerged.

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Last summer the Christian Democrats lost substantial ground to the left in Sardinia. In scattered local elections last November, they dropped about 6 percent--largely to the left--including some key Christian Democratic constituencies. Only a small fraction of the electorate was involved but it was still a major setback by Italian standards.

These defeats came on the heels of an embarrassing rebuff in a national referendum on divorce in which the Christian Democrats' stand against legalization was rejected by 59 percent of the electorate. The outcome boosted the prestige of the Socialists and Communists, the main leaders on the winning side.

Christian Democratic leader Amintore Fanfani hopes to avoid another defeat in June and has put together a platform aimed at achieving a maximum consensus among moderate elements of the electorate and encouraging defections from the far right. Fanfani is hoping, for example, to pick up support from right wingers who helped swell neo-fascist ranks in 1972 but who may now be turned off by the neo-fascists' association with political violence. Accordingly, Fanfani is:

--casting his party as the major proponent of tough law-and-order measures;

--playing up developments in Portugal to bolster his argument against concessions to Italy's Communists;

--rejecting Socialist demands for more governmental influence and reminding the Socialists that they could be replaced in the governing coalition by the conservative, business-oriented Liberal Party;

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--calling for changes in Italy's tax law that would give lower and middle-income voters a tax break.

Fanfani has managed in the last few weeks to pull his party together in preparation for the election. It is clear, however, that the Christian Democratic left--about 20 percent of the party--and some influential moderates are still not convinced that Fanfani's approach will generate much enthusiasm among the voters. They worry in particular that it will not sit well with the 3 million young voters who will cast ballots for the first time as a result of a recent law lowering the voting age to 18.

Fanfani has a personal stake in the elections. Despite his vaunted ability to land on his feet, if the party takes a beating he will probably lose his job--and his policies will be reevaluated. There is already ample evidence of behind-the-scenes maneuvering by rivals, such as Foreign Minister Rumor, who are ready ready to step in if Fanfani stumbles.

Communist Stake

The Communist Party's tactics--and the perception of the party by non-Communist Italians--have changed radically since nationwide regional and local elections were last held five years ago. A week before the 1970 contests, the Communists were planning a massive anti-NATO rally in Rome. The then prime minister--Mariano Rumor--was worried that the Communists would encourage labor violence and disrupt the country's economic progress.

Since late 1973, however, Communist chief Berlinguer has maintained that Italy's problems can be solved only through a rapprochement between his party and the Christian

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Democrats--an "historic compromise" that would eventually bring the two together as governing partners. The Communists now maintain that they would have no trouble accepting Italy's membership in NATO should the "historic compromise" be implemented. It is generally accepted in Italy, moreover, that the "soft" opposition policy followed by the Communists, and their encouragement of labor moderation, are among the reasons why the economic situation is not worse than it is.

These changes have gone far toward improving the image of the Communists and narrowing differences between them and the governing parties in such policy areas as the economy. But doubts have persisted in Italy about the Communists' claim to be an independent national party committed to democratic pluralism.

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Above all, however, the "historic compromise" strategy requires a Communist advance at the polls; the Christian Democrats are not likely to make a deal with Berlinguer unless forced to do so in order to remain in power. Berlinguer's overriding goal in these elections, therefore, is to gain enough votes to present more Christian Democratic local organizations with this dilemma.

Ambitious Socialists

The Christian Democrats' growing troubles have made the Socialists more assertive and unwilling to accept the minor role assigned them by their more powerful coalition partner. Socialist chief DeMartino now calls the existing arrangement "anachronistic" in view of what he sees as a trend toward the left.

The Socialists hope to emerge from the elections sufficiently strengthened to dictate the terms of their return to full participation in the center-left coalition.

Accordingly, the Socialists maintain that they will rejoin the Christian Democrats only if given "preferential" treatment in the coalition. In practical terms, this means programmatic concessions, allotment of the more important ministries--the Socialists covet such key portfolios as Defense, Interior and Treasury--and more patronage power in the public sector of the economy, heretofore the almost exclusive preserve of the Christian Democrats.

The Socialist plan also envisions a sharply reduced role for the smaller center-left parties. The Socialists resent the

way that the Christian Democrats have used Social Democratic and Republican membership in the coalition to deny more concessions to the Socialists, whose votes alone would give the coalition a slim majority.

One thing in the Socialists' favor is that not all Christian Democrats reject this scenario as flatly as Fanfani. Some, including Moro, see closer relations with the Socialists as the best way to keep the Communists in the opposition.

The Socialists' demands of course, will be just talk unless they can prove that the electorate really is moving to the left. If the Socialists fail to do well in the elections, they will probably end up returning to the government on Christian Democratic terms.

One by-product of the Socialists' need for a big win is their heigthened competition with the Communists. Just a year ago, the Socialists were straining the coalition with calls for a direct Communist voice in the government. They have now backed off from this demand and the Communists in their campaign are accusing the Socialists of being more interested in the perquisites of power than in developing solutions to substantive problems.

Clouded Outcome

There are signs that the Christian Democrats' prospects have improved recently, but the evidence is thin and inconclusive.

The key to the elections lies in who will get the lion's share of any losses sustained by the Christian Democrats. Even if the Christian Democrats drop only 1-2 percent, they will probably continue to dominate the government, at least until the next national elections. If the Christian Democrats sustain

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more serious losses--upward of say, 3 or 4 percent--to the Socialists, the latter will drive a hard bargain in the negotiations for a new national government. Similarly, Communist gains at Christian Democratic expense would result in growing demands by the Communists for collaboration between the two parties at the local level. There appears to be little prospect at this time of sizable defections to the far right.

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